

PUBLIC DISCLOSURE

August 12, 2010

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**MEMBER ADVANTAGE MORTGAGE, LLC
ML 1557**

**6090 FULTON STREET EAST, SUITE F
ADA, MICHIGAN 49301**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 02118**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.</p>
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GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, Mortgage Lender Community Investment ("MLCI"), require the Division to use its authority, when examining mortgage lenders subject to its supervision who have made 50 or more home mortgage loans in the last calendar year, to assess a mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth, including low- and moderate-income neighborhoods and individuals, consistent with the safe and sound operation of the mortgage lender. Upon conclusion of such examination, the Division must prepare a written evaluation of the mortgage lender's record of meeting the credit needs of the Commonwealth.

This document is an evaluation of the MLCI performance of **Member Advantage Mortgage, LLC (Member Advantage)** prepared by the Division, the mortgage lender's supervisory agency, as of **August 12, 2010**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures as defined by MLCI. A review of the Division's records, as well as the mortgage lender's public MLCI file, did not reveal any complaints relating to Member Advantage's MLCI performance.

The MLCI examination included a comprehensive review and analysis, as applicable, of Member Advantage's:

- (a) origination of loans and other efforts to assist low and moderate income residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the lender's history with similarly situated borrowers, the availability of mortgage loan products suitable for such borrowers, and consistency with safe and sound business practices;
- (b) origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;
- (c) efforts working with delinquent residential mortgage customers to facilitate a resolution of the delinquency; and
- (d) other efforts, including public notice of the scheduling of examinations and the right of interested parties to submit written comments relative to any such examination to the Commissioner, as, in the judgment of the Commissioner, reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping to meet the mortgage loan credit needs of communities in the Commonwealth.

MLCI examination procedures were used to evaluate Member Advantage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Member Advantage's lending and community development activities for the period of January 2009 through December 2010, unless otherwise noted. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

The Lending Test evaluates the Mortgage Lender's community investment performance pursuant to the following five criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, fair lending, and loss of affordable housing. The MLCI evaluation includes an analysis of the mortgage loans reportable under the Home Mortgage Disclosure Act ("HMDA") for 2009 and 2010. The residential loan data was obtained from the Loan Application Registers ("LAR") maintained by Member Advantage pursuant to HMDA.

Home mortgage lending for 2009 and 2010 is presented in the following tables: geographic distribution, lending to borrowers of different incomes and the minority application flow. Comparative analysis is provided for the mortgage lender's 2010 lending performance as this was the most recent year for which aggregate HMDA lending data was available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders which originated loans in Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the MLCI examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Division's Foreclosure Database, through local Registries of Deeds and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S MLCI RATING: This Mortgage Lender is rated "Needs to Improve"

This "Needs to Improve" rating is based upon:

- The geographic distribution of the lender's loans reflects less than adequate distribution in low and moderate-income Census tracts given the volume of originations and the lender's product lines.
- The distribution of borrowers reflects, given the demographics of Massachusetts, an adequate record of serving the credit needs among individuals of different income levels, include low- and moderate-income.
- The mortgage lender offers a number of flexible lending programs to the customers it serves.
- The mortgage lender had a limited number of Community Development Services.
- Fair lending policies and practices are considered reasonable. No complaints were received during the evaluation period.

Additionally, the MLCI requires that certain categories of serious violations of consumer protection laws and regulations be considered in determining a final MLCI rating. The examination of Member Advantage revealed a significant number of violations with regard to the proper licensing of loan originators.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Member Advantage was incorporated in Michigan on August 17, 2006. The Division first granted Member Advantage a mortgage lender license on November 6, 2007. The lender is a retail lender engaging in the organization and sale of first residential mortgage loans, secured primarily by one-to-four family residential properties, to consumers of sound credit quality. Loan originations are processed and documented at the lender's main office in Ada, Michigan. Member Advantage originates all business through a network of partner credit unions. Loan officers employed by Member Advantage at the partner credit unions submit applications electronically through Member Advantage's loan system. As of the date of the examination the lender was licensed in 11 states and the District of Columbia and had two branch locations in Massachusetts. The branches located in Hadley and Northampton, MA are also branches of UMassFive Federal College Credit Union. Member Advantage is wholly-owned by CUSO Development Company, LLC.

The lender is a Direct Endorsed lender for the Federal Housing Administration (FHA) and the Veteran's Administration (VA).

For the examination period, 2009 and 2010, Member Advantage originated 848 loans totaling \$154.5 million in Massachusetts.

Demographic Information

The MLCI regulation requires mortgage lenders to be evaluated on their performance within the Commonwealth of Massachusetts. Demographic data is provided below to offer contextual overviews of economic climate along with housing and population characteristics for the Commonwealth of Massachusetts.

DEMOGRAPHIC INFORMATION*						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A
Geographies (Census Tracts)	1,361	8.4	21.7	46.1	23.4	0.4
Population by Geography	6,349,097	5.8	20.5	47.6	26.0	0.1
Owner-Occupied Housing by Geography	1,508,248	1.6	12.8	54.0	31.6	0.0
Family Distribution by Income Level	1,587,537	20.5	17.7	22.3	39.5	0.0
Distribution of Low & Moderate Income Families throughout AA Geographies	606,419	10.0	29.4	46.2	14.4	0.0
Median Family Income		\$65,318	Median Housing Value		\$209,519	
2010 HUD Adjusted Median Family Income		\$83,413	Unemployment Rate		8.3%**	
Households Below Poverty Level		9.8%				

*Source: 2000 US Census

**as of 12/10

Based on 2000 Census data, the Commonwealth of Massachusetts has a total population of just over 6.3 million people and a total of 2.6 million housing units. Of the total housing units, 1.5 million or 57.5 percent are owner-occupied, 935,332 or 35.7 percent are rental-occupied, and 6.8 percent are vacant units.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

There are 2.4 million households in the Commonwealth with a median household income of \$53,686 according to the 2000 Census. Over 40 percent of the households are classified as low- and moderate-income. In addition, 9.8 percent of the total number of households are living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as “families” total slightly over 1.5 million. Of all family households, 20.5 percent are low income, 17.7 percent are moderate income, 22.3 percent are middle income, and 39.5 percent are upper income. The median family income according to the 2000 Census was \$65,318. The Housing and Urban Development (“HUD”) adjusted median family income is \$82,684. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contains 1,361 Census tracts. Of these, 114 or 8.4 percent are low-income; 295 or 21.7 percent are moderate-income; 628 or 46.1 percent are middle-income; 319 or 23.4 percent are upper-income; and 5 or 0.4 percent are NA or have no income designation. The five Census tracts with no income designation are located in Bridgewater (a correctional facility), Boston (islands in Boston Harbor), Amherst (U MASS campus), Harvard (Fort Devens), and Grafton (Tufts Veterinary School). These Census tracts contain no housing units and will not be included in this evaluation since they provide no lending opportunities.

The median housing value for Massachusetts was \$209,519 according to the 2000 Census. However, recent figures from the Warren Group, publishers of the Banker’s and Tradesman, show the median price for a single-family home increased by 3.2 percent to \$289,000 in October 2010, up from \$280,000 a year earlier in 2009. Fluctuating housing values have a direct effect in mortgage affordability and the types of financial products adequate for homeowners and property buyers.

The unemployment rate for the state of Massachusetts dropped from 8.4 percent in September 2010 to 8.3 percent in December 2010, the lowest unemployment rate since April 2009. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Member Advantage's Lending Test performance was rated an overall "Needs to Improve." Member Advantage's lending efforts are rated under the five performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Member Advantage.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how Member Advantage is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts.

Member Advantage's distribution of lending in the Commonwealth when compared to the demographics and aggregate lending data was less than adequate. The dispersion of lending in the Commonwealth includes low- and moderate-income geographies. The table below shows the distribution of HMDA-reportable loans by census tract income.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>						
<i>Census Tract Income Level</i>	<i>Total Owner-Occupied Housing Units</i>	<i>Member Advantage 2009</i>		<i>Member Advantage 2010</i>		<i>Aggregate Lending Data (% of #) 2010</i>
	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>%</i>
<i>Low</i>	1.6	1	0.2	1	0.2	1.3
<i>Moderate</i>	12.8	22	5.3	19	4.4	10.0
<i>Middle</i>	54.0	216	51.9	221	51.2	49.4
<i>Upper</i>	31.6	177	42.6	191	44.2	39.3
<i>Total</i>	100.0	416	100.0	432	100.0	100.0

Source: 2009, and 2010 HMDA Data and 2000 U.S. Census

The mortgage lender's geographic distribution of loans was not consistent with the distribution of owner occupied housing units or the aggregate lending in 2010 in low- and moderate-income census tracts for 2009 and 2010. The 2010 performance showed a slight decline in lending in moderate-income Census tracts; however, Member Advantage remained static in its lending in low-income tracts.

Member Advantage's distribution of loans reflects a less than adequate performance in the Commonwealth and does not meet the standards for satisfactory performance in this criterion.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the mortgage lender is addressing the credit needs of the Commonwealth's residents. Member Advantage has an adequate record of serving the mortgage credit needs of borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts.

The following table shows, by number, HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the aggregate and the percentage of total families within the Commonwealth in each respective income group.

<i>Distribution of HMDA Loans by Borrower Income</i>						
<i>Median Family Income Level</i>	<i>% of Families</i>	<i>Member Advantage 2009</i>		<i>Member Advantage 2010</i>		<i>Aggregate Lending Data (% of #) 2010</i>
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>%</i>
<i>Low</i>	20.5	24	5.8	15	3.5	4.4
<i>Moderate</i>	17.7	97	23.3	86	19.9	15.3
<i>Middle</i>	22.3	113	27.2	124	28.7	22.7
<i>Upper</i>	39.5	182	43.7	207	47.9	42.8
<i>NA*</i>	0	0	0.0	0	0.0	14.8
<i>Total</i>	100.0	416	100.0	432	100.0	100.0

Source: 2009, and 2010 HMDA Data and 2000 U.S. Census

Member Advantage's performance in relation to the aggregate for low-income borrowers fell short in 2010. However, lending to moderate-income borrowers at 19.9 percent surpassed the aggregate in 2010. Also, Member Advantage's percentage of lending to low- and moderate-income borrowers was greater than aggregate for 2009. Although overall lending increased from 2009 to 2010, lending to low- and moderate-income borrowers decreased.

Overall, Member Advantage's distribution of loans reflects an adequate performance in the Commonwealth.

III. Innovative or Flexible Lending Practices

Member Advantage offers innovative or flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

The lender is direct endorsed by HUD to underwrite FHA insured mortgages. The variety of FHA products offered by Member Advantage provides competitive interest rates and requires smaller down payments for low- and moderate-income first time homebuyers and existing homeowners.

During the examination period, Member Advantage originated 37 FHA loans totaling \$7,037,517.

Member Advantage also offers the Home Loan Payment Relief (HLPR) loan initiative. This program allows borrowers to purchase a home with as little as \$500 of their own money for closing costs and down payment. This program is approved by the NCUA and does not require mortgage insurance. During the examination period, Member Advantage originated 11 HLPR loans totaling \$2,063,273.

Member Advantage also participates with Freddie Mac ALT 97 loan product and "Home Possible" Programs.

IV. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-103 and Regulatory Bulletin 5.3-101. The mortgage lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedures, interviews with mortgage lender personnel, and individual file review.

Member Advantage's compliance with the laws relating to discrimination and other illegal credit practices was reviewed. Member Advantage has established fair lending policies which outline the steps to ensure that all applicants are treated in a fair manner. No evidence of discriminatory or other illegal credit practices were identified.

The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Member Advantage provides fair lending training to all employees at least annually along with other applicable compliance training. Staff members are also notified of regulatory changes and updates. All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance. Staff members are also notified of regulatory changes and updates.

Member Advantage Mortgage conducts regular internal and external audits of HMDA and compliance related laws and regulations.

MINORITY APPLICATION FLOW

Member Advantage's lending for 2009 and 2010 were reviewed to determine if the application flow from the different racial and ethnic groups within Member Advantage's assessment area was reflective of the area's demographics. Massachusetts contains 6.3 million individuals, 1.2 million or 18.1 percent are minorities. Massachusetts' minority and ethnic population is 0.2 percent Native American, 3.7 percent Asian, 5.0 percent African American, 6.8 percent Hispanic or Latino and 2.4 percent other.

For 2009 and 2010, Member Advantage received 1,367 HMDA reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 134 or 9.8 percent were received from minority applicants, of which 71 or 53.0 percent resulted in originations. Member Advantage received 37 or 2.7 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which 24 or 64.9 percent were originated.

Refer to the following table for information on the mortgage lender's minority application flow as well as a comparison to the aggregate lenders throughout the Commonwealth of Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the mortgage lender received from minority applicants.

MINORITY APPLICATION FLOW							
RACE	Member Advantage 2009		2010 Aggregate Data	Member Advantage 2010		Member Advantage Total	
	#	%		#	%	#	%
<i>American Indian/Alaska Native</i>	1	0.1	0.1	0	0.0	1	0.0
<i>Asian</i>	21	3.0	4.8	30	4.6	51	3.7
<i>Black/ African American</i>	31	4.3	1.9	16	2.5	47	3.4
<i>Hawaiian/Pac Isl.</i>	1	0.1	0.1	0	0.0	1	0.0
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	18	2.5	1.1	16	2.5	34	2.5
Total Minority	72	10.0	8.0	62	9.6	134	9.8
<i>White</i>	616	86.2	71.6	504	77.3	1,120	81.9
<i>Race Not Available</i>	27	3.8	20.4	86	13.1	113	8.3
Total	715	100.0	100.0	652	100.0	1,367	100.0
ETHNICITY							
<i>Hispanic or Latino</i>	14	2.0	2.1	11	1.7	25	1.8
<i>Not Hispanic or Latino</i>	656	91.7	76.5	546	83.7	1,202	87.9
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	1	0.1	0.8	11	1.7	12	0.9
<i>Ethnicity Not Available</i>	44	6.2	20.6	84	12.9	128	9.4
Total	715	100.0	100.0	652	100.0	1,367	100.0

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data

Member Advantage's performance was above aggregate's performance for racial minority applications in 2010. Member Advantage received 9.6 percent of its applications from racial minorities while the aggregate received 8.0 percent. The mortgage lender's performance was also above the aggregate for applications from ethnic minorities. Member Advantage received 3.4 percent of its applications from ethnic minorities while the aggregate received 2.9 percent. The number of racial minority applicants decreased from 2009 to 2010 from 10.0 percent to 9.6 percent; while the number of applications from ethnic minorities increased from 2.1 percent in 2009 to 3.4 percent in 2010.

Overall, the mortgage lender's performance in this area is considered reasonable.

V. **Loss of Affordable Housing**

This review concentrated on the suitability and sustainability of mortgage loans originated by Member Advantage by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the lender was reviewed as were statistics available on delinquency and default rates for mortgage loans. Additionally, individual mortgage loans were tracked for their status through the Division's Foreclosure Database, local Registries of Deeds and other available public records of foreclosure filings.

An extensive review of information and documentation, from both internal and external sources as described above, did not reveal lending practices or products that showed an undue concentration or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units. Further, delinquency rates were found to be consistent with industry averages.

SERVICE TEST

The service test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit the Commonwealth or a broader regional area that includes the Commonwealth.

Member Advantage's Service Test performance was determined to be rated "Needs to Improve" at this time.

Mortgage Lending Services

Member Advantage is a retail lender in Massachusetts. The delivery systems for mortgage lending services are from Member Advantage's relationship with its credit union partners within the credit union branches. Member Advantage offers a variety of FHA and flexible lending products. During the examination period, the mortgage lender had two branches located in Western Massachusetts. Member Advantage receives applications from its team of licensed loan originators and does minimal advertising.

As Member Advantage does not routinely service mortgage loans, it would not work directly with delinquent borrowers. Therefore, this review would not include an evaluation of loan mitigation and modification efforts as the mortgage lender would not be accountable for such action. However, as described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

Member Advantage offers monthly first time home buyers classes at the UMassFive College Federal Credit Union. These classes are conducted by a loan originator who is employed by Member Advantage.

Qualified Investments

A Qualified Investment for the purposes of this MLCI evaluation is a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The evaluation considered (1) the number of investments and grants, (2) the extent to which community development opportunities have been made available to the institution, and (3) the responsiveness of the institution's community development grants to the assessment area's needs.

Member Advantage did not engage in any qualified community development investments in Massachusetts during the examination period.

Additional focus and commitment by Member Advantage should be employed by taking a strong leadership role in other community development activities. Other activities may include, but not necessarily be limited to: financial literacy education initiatives targeted to low- and moderate-income individuals; and foreclosure prevention counseling and/or technical assistance to community organizations implementing such programs.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (MLCI) regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the MLCI evaluation of their mortgage lender:

- 1) Make its most current MLCI performance evaluation available to the public;
- 2) Provide a copy of its current evaluation to the public, upon request. In connection with this, the Mortgage Lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The Mortgage Lender is encouraged to include its response to the evaluation in its MLCI public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.